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SUBJECT: CUBA ENDS SCHEME TO TRADE IN CLUNKERS

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11. SUMMARY: The Government of Cuba (GOC) reportedly froze a scheme this month in which certain Cubans could obtain authorization to import a personal vehicle. This luxury was only available to Cubans who already owned a vehicle and had permission to travel abroad for business-related purposes. Like regulations on other highly valued items (houses, exit permits, etc.), the car scheme had created an unusual informal market for fake marriages and permission slips. Frustrated Cubans shopping for a personal vehicle are now forced to return their attention to the rapidly decaying supply of 1950s American cars and 1980s Russian Ladas. Simple economic freedoms are hard to come by in Cuba and, more often than not, too fleeting to make a difference.

#### THE REQUIREMENTS

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12. An eligible Cuban who already owns a car and travels abroad for work would first need permission from his/her government minister or organization head, and then from the chief of Cuban Customs. Once all permissions were granted, the eligible Cuban would deliver his/her old car to the GOC in exchange for nothing more than a piece of paper confirming the car specifications (i.e. the GOC gets the old car for free). The eligible Cuban could then purchase and arrange to import a vehicle of a similar type (car for car, motorcycle for motorcycle, truck for truck, etc.) and engine size as the one traded in.

#### GETTING AROUND THE REQUIREMENTS

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13. Despite stringent requirements, several Cubans took advantage of the scheme and several more created inventive ways to become eligible. Cubans without a car but with access to foreign currency (through remittances, work for a foreign mission or company, or black market activity) actively looked for an old clunker to purchase that they would then deliver to the GOC. The Craig's List-style website Revolico.com is full of Cubans looking for cheap cars to trade in. Online and informal markets were created by people looking for and selling the permission slips required to import a car. We have also heard examples of Cubans with an old car and enough money to buy a new one, but who are not eligible for this scheme because their job does not require foreign travel, arranging to marry another Cuban who does

travel for work. For a fee, the eligible Cuban marries the ineligible Cuban, trades in the now jointly-owned old car, buys and imports the new car, and then quietly arranges for a divorce.

#### THE END OF A SCHEME

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14. The car importing regulation was first issued in 2007, but was not widely used until the GOC issued a clarifying regulation earlier this year. As mysteriously as it sprang up, the GOC suspended the scheme in early December without explanation or clarification as to what would happen to transactions already in process. Some Cubans are left in limbo. One Cuban artist, for example, traded in his car and bought a \$10,000 car that is currently in Canada. The artist does not know if the GOC will still permit the import.

15. The GOC has not published or publicized the end of this scheme, but Cubans we talk with are aware of its demise. The reasons for its termination are less clear. Some contacts believe the GOC was starting to lose control of the scheme (through some of the creative activities noted in paragraph 3) and may try to start it again under more strict guidelines. Another feasible explanation is that the GOC wanted to stop the flow of foreign currency outside of the country at a time of internal financial crisis.

#### REMAINING ALTERNATIVES

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16. Only a small percentage of Cubans own personal vehicles. Cubans who owned cars before the first years of the revolution were able to keep one. These cars can be legally

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sold, or, more specifically, "transferred" to another Cuban. The GOC has since offered a few schemes to purchase newer, mostly European vehicles. For example, the GOC offered a scheme in the 1980s in which Cubans could sell their gold and silver possessions to the GOC for hard currency, which could then be used to buy a new car (typically a Russian Lada). In some cases, Cubans can buy their work vehicle from a ministry, state company or other government organization. The GOC does not permit the resale of these "newer" cars, however there is a large informal market to buy and sell cars "without papers". The few foreign car dealerships within Cuba only sell to state companies and foreigners.

#### A SMALL OPENING CLOSED

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17. Many Cubans are frustrated by the end of a scheme that offered the only feasible path to buy a new (or newer) car. Even though few Cubans were eligible for the program under the strict regulations, ineligible Cubans created ways to take advantage of this small economic opening much in the same way Cubans (with money) have turned the burdensome rules permitting the trading of houses into a viable real estate market (septel). Cubans also complain that, as in the daily hunt for food and other consumer goods, unnecessarily restrictive regulations such as the car scheme and trading of houses force otherwise law-abiding citizens to turn to the black market and, sometimes, commit fraud.

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